

**PUBLIC DISCLOSURE**

JANUARY 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LAWRENCE POSTAL EMPLOYEES CREDIT UNION

431 COMMON STREET  
LAWRENCE, MASSACHUSETTS 02151

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.



## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income borrowers, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Lawrence Postal Employees Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory."**

As an industrial credit union whose membership is based upon affiliation, rather than residence and in accordance with 209 CMR 46.41, no geographic performance factors were considered during the course of this examination. Instead, the examination was conducted utilizing three performance criteria: 1) Average Loan to Share ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending.

The credit union's average loan to deposit (share) ratio of 88.6 percent was determined to exceed satisfactory performance rating.

Lending to Borrowers of Different Incomes was found to exceed the standards for satisfactory performance due to the significant percentage of loans granted to low and moderate-income members.

The credit union's fair lending performance is considered to meet the standards of satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Lawrence Postal Employees Credit Union is a state-chartered industrial credit union instituted to serve the employees of the Lawrence postal district. The credit union operates one full-service office located at 431 Common Street in Lawrence, Massachusetts with a staff of 3 part-time employees. Office hours are 7:30AM to 9:00AM, Tuesdays and Thursdays.

As of December 31, 2001, the credit union had total assets of \$870,922, with total loans of \$515,238 or 59.2 percent of total assets. Currently, unsecured personal loans account for 62.7 percent of the credit union's loan portfolio, followed by automobile loans with 37.3 percent.

The criteria for the various types of credit offered were reviewed during the examination, as were the procedures for completing a loan application and no practices were found which discourage applications. The credit union originates loans in all amounts and rates, terms and conditions are competitive with other credit unions of similar size and type. The credit union also provides members with limited check cashing abilities, in addition to direct deposit for payroll and automatic payroll deduction for loan payments.

The credit union has a credit committee, which consists of three directors. The credit committee performs a review of the prior-approved consumer loans on a weekly basis.

Lawrence Postal Employees Credit Union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of August 12, 1998. That examination resulted in a CRA rating of High Satisfactory.

### **Description of Membership**

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

The Lawrence Postal Employees Credit Union's by-laws state: "Membership in this credit union is limited to career employees, employed by the Post Office Department in Lawrence, Methuen and North Andover, Massachusetts, and to those former members who have retired from the Postal Service. Except that those members who have retired from the Postal Service are limited to borrowing only up to the amount they have in shares."

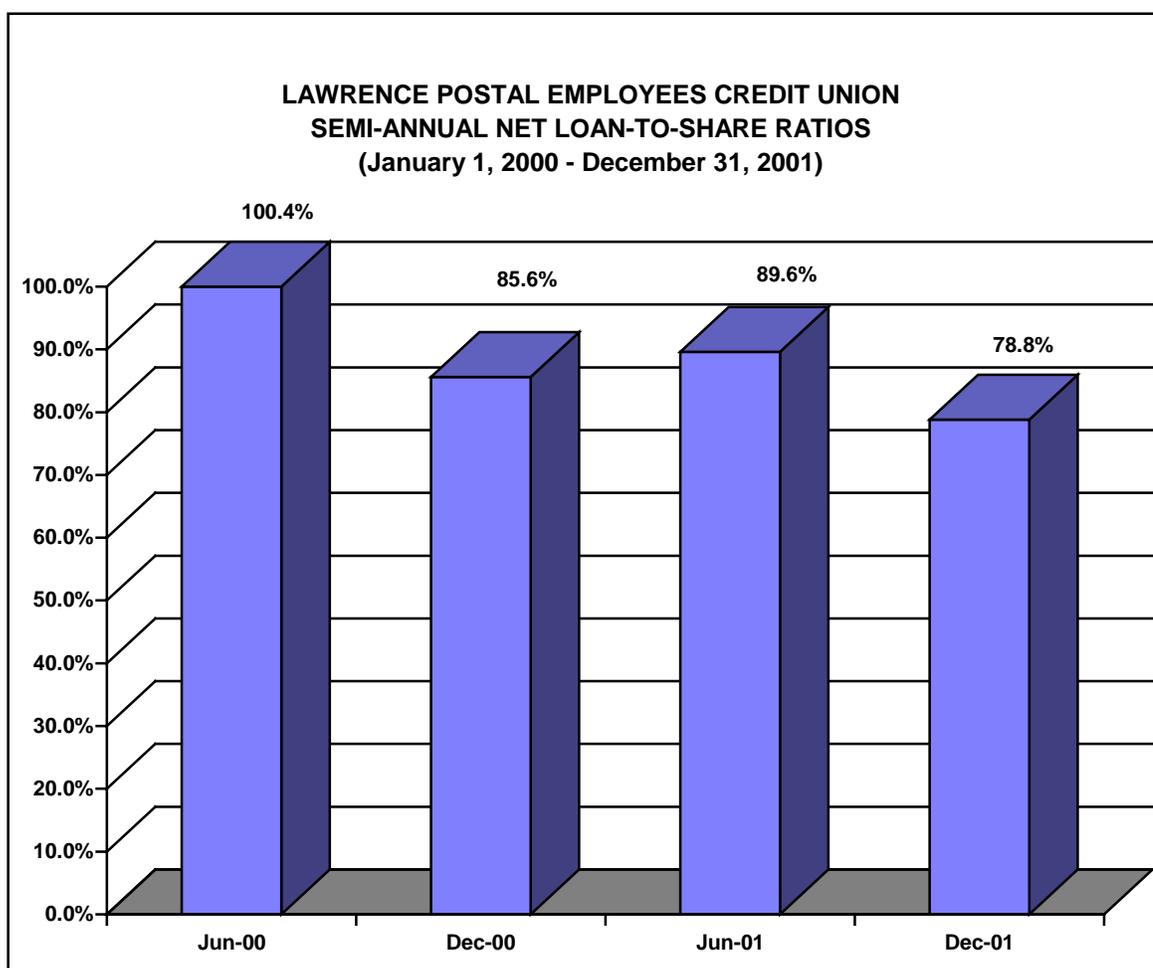
The credit union currently has 214 members and its geographical location places it within the Lawrence Metropolitan Statistical Area (MSA).

## PERFORMANCE CRITERIA

### 1. LOAN TO DEPOSIT (SHARE) ANALYSIS

The first criterion analyzes Lawrence Postal Employees Credit Union's net loan-to-share ratios for the period January 1, 2000 through December 31, 2001. This ratio is based on loans net of the allowance for loan and lease losses as a percentage of total shares. Using the credit union's four most recent semi-annual 5300 Reports, the average net loan-to-share ratio for this period was 88.6 percent.

The following graph illustrates the loan to share trends.



Source: 5300 Call Reports

During the period reviewed, net loans increased by only 0.8 percent, while deposits/shares increased by 28.4 percent, resulting in an overall decrease in the ratio. The most notable decrease in the loan to share ratio occurred in the period ending December 2001

where the loan to share ratio fell to 78.9 percent. During this half, loans increased by 2.7 percent; while deposits increased by 16.6 percent over the previous half.

Management attributes the increase in deposits to attractive interest rates on savings accounts, which the credit union has maintained despite the decline in interest rates generally. However, the average loan to share ratio of 88.6 percent also indicates that the credit union's lending activity is significant.

Based on the above information and the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to exceed the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

The second performance criterion examines an institution's record of lending within its assessment area. However, under the Massachusetts CRA regulation, 209 CMR 46.41, a credit union whose membership is not based on residence, such as the Lawrence Postal Employees Credit Union, may define its assessment area as its membership. Since Lawrence Postal Credit Union has elected to define its assessment area in this manner, no evaluation of geographic factors was conducted.

## **3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which Lawrence Postal Employees Credit Union lends to members of different income levels within its membership. The following analysis of borrower income distribution for consumer loans granted in 1999, 2000 and 2001 demonstrates that the credit union's lending exceeds the standards for satisfactory performance.

The Lawrence Postal Employees Credit Union extended 83 consumer loans in 1999: 84 consumer loans in 2000 and 88 consumer loans in 2001. The originations include personal and automobile loans. A sample of 75 consumer loans from all years was selected to determine the distribution of credit based on the income levels of borrowers. All of the consumer loans sampled were extended to borrowers residing in the Lawrence Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000 and 2001 median family income of the Lawrence Metropolitan Statistical Area (MSA), which was \$57,900, \$60,800 and \$64,100 respectively. The previous income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The table below indicates that the majority of the consumer loans sampled (94.7%) were granted to moderate-income borrowers and 4.0 percent to members of low income.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER**

% OF MEDIAN MSA INCOME	1999		2000		2001		TOTAL	
	#	%	#	%	#	%	#	%
<50%	2	8.0	1	4.0	0	0.0	3	4.0
50% - 79%	23	92.0	23	92.0	25	100.0	71	94.7
80% - 119%	0	0.0	1	4.0	0	0.0	1	1.3
120% >	0	0.0	0	0.0	0	0.0	0	0.0
<b>TOTAL</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>75</b>	<b>100%</b>

Source: in-house files

It is noted that the majority of consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels may be somewhat higher than normal, since borrower income is compared to median family income. This may have the effect of skewing the distribution of loans towards lower-income levels.

Nonetheless, based upon the above table, it appears that the credit union's lending is significantly concentrated on borrowers of moderate income. Performance in this category is therefore considered to exceed the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned above no evaluation of geographic factors was conducted due to the credit union's identification of its membership as its assessment area, in conformance to 209 CMR 46.41.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **REVIEW OF COMPLAINTS**

Lawrence Postal Employees Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

##### **FAIR LENDING POLICIES AND PRACTICES**

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of Regulatory Bulletin 23.101, the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and product offerings. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## LAWRENCE POSTAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 23, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.